

The complaint

Mr and Ms M complain that Newcastle Building Society caused them unnecessary expense because it acted on an insufficient mortgage valuation.

What happened

Mr and Ms M applied to Newcastle for a mortgage in April 2024, via a mortgage broker. They wanted the mortgage to partially fund the purchase of a new home. After initial underwriting checks on 24 April 2024, Newcastle received the results of its free, basic valuation – carried out remotely – on 26 April 2024 and that highlighted no concerns. On 29 April 2024 Newcastle issued a mortgage offer.

Mr and Ms M instructed a surveyor privately to carry out a more detailed survey on the property. That survey highlighted that the roof of the property was insulated by spray foam. Newcastle was made aware of that on 21 May 2024. As a result, Newcastle required its own surveyor to carry out a physical inspection and told the broker that would be at Mr and Ms M's expense. However, it was agreed that the charge for that would be reduced from £275 to £65.

Mr and Ms M's broker asked Newcastle if it would likely decline the mortgage application (withdraw its offer), based on the spray foam insulation. But, while its surveyor said it would need to inspect the property to confirm that one way or the other, Newcastle told Mr and Ms M's broker spray foam insulation was "outside policy" so it was likely the application would be declined. The application was cancelled on 31 May 2024, following an email exchange between Newcastle and Mr and Ms M's broker.

Mr and Ms M complained to Newcastle. They said they've paid £995 needlessly for a private valuation because Newcastle cut corners by carrying out a remote valuation rather than a physical valuation that may have identified the spray foam insulation. They asked Nationwide to refund the cost of the survey they arranged privately, as a resolution to their complaint.

In its final response letter dated 20 June 2024, Newcastle said the mortgage product Mr and Ms M applied for included a free standard valuation. And the property fit its criteria for a remote valuation in terms of age, sales history and comparable properties. It also said that the valuation was for its own purposes and its application form declaration states that more detailed reports could be obtained at a cost to the applicant.

Dissatisfied with Newcastle's response, Mr and Ms M asked us to consider their complaint. Our investigator didn't think Newcastle acted unfairly. He said it was reasonable for Newcastle to rely on the professional judgment of the surveyor, including the surveyor's decision to carry out a remote survey.

Mr and Ms M didn't agree. They said the surveyor wasn't suitably qualified if it didn't visit the property and the property wasn't suitable for a remote valuation because it had spray foam insulation. Mr and Ms M say the expense they went to has saved Newcastle lending on a property that was outside its lending criteria, so it should, at least, contribute to that expense.

As Mr and Ms M didn't agree with our investigator's view their complaint has been passed to me for a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

To decide Mr and Ms M's complaint, I've thought about whether it was reasonable for Newcastle to rely on a remote valuation to satisfy itself that the property Mr and Ms M wanted to buy satisfied its lending criteria.

Firstly, I'd like to state that I do understand why Mr and Ms M feel strongly about what's happened – as outlined above. It isn't disputed by either party that Newcastle would have lent, with Mr and Ms M's chosen property as security, based solely on the findings of the remote valuation. And, if it hadn't been for the honesty of Mr and Ms M, Newcastle would never have known about the spray foam insulation. Mr and Ms M were not obliged to share the findings of their own survey with Newcastle. However, as Mr and Ms M have pointed out, had they not done so and proceeded with the purchase, the issue of the spray foam insulation may have caused them some problems later.

To establish whether it was reasonable for Newcastle to rely on a remote valuation, it's important to consider the reason the valuation is necessary at all. A valuation for mortgage purposes is a requirement for most, if not all, mortgage lenders to satisfy themselves that the property to be mortgaged is suitable security. That essentially means that they need to establish whether there is sufficient risk to the future value of the property that might mean the lender won't recoup the outstanding balance under the mortgage should the borrower default on the mortgage loan. A valuation for mortgage purposes isn't carried out to protect the borrower.

The purpose of the mortgage valuation is important to note because it illustrates why it's for the lender to choose how much risk to take when obtaining that valuation. In this case, Newcastle appointed a Royal Institute of Chartered Surveyors (RICS) qualified surveyor. Newcastle allowed the surveyor to assess whether the property in question met the surveyor's criteria for a remote valuation. I think it's reasonable that, having appointed a suitably qualified surveyor, Newcastle relied on the surveyor's judgement – not only with the valuation of the property, but in its assessment of what type of survey was appropriate. So, irrespective of whether the choice to carry out a remote valuation transpired to be a reasonable one, I don't think Newcastle was at fault for that.

In summary, while I have considered all of Mr and Ms M's arguments, I don't think Newcastle was responsible for whether the decision to value the property remotely was a reasonable one in the circumstances. And I think it's reasonable for Newcastle to accept remote valuations – something common in the industry – because a valuation of this type is only carried out to protect it from risk of loss, not Mr and Ms M. So, I don't uphold Mr and Ms M's complaint.

My final decision

My final decision is I don't uphold Mr and Ms M's complaint about Newcastle Building Society.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Ms M to accept or reject my decision before 4 April 2025.

Gavin Cook
Ombudsman